

Board of Supervisors testimony, February 2, 2016

ASSESSOR JEFFREY PRANG: Thank you for the opportunity to visit with you this morning and share some of the information that we've been working on regarding Aliso Canyon.

I have tremendous empathy for those whose lives have been impacted by this devastating leak.

Many people have felt compelled to vacate their homes and send their children to alternate schools, causing tremendous inconvenience and uncertainty resulting in millions of dollars of unanticipated expenses for these residents in terms of forced relocation costs, fuel, stress, worry and lost time at work.

I appreciate the frustration that many homeowners are feeling. They are paying property taxes on a home that they have vacated. Businesses are also affected, confronted with a loss of customers and declining sales revenue.

While I recognize that my Office may only have a modest role in the overall response to this hazard, I nevertheless directed my Office, in consultation with the County Counsel and Treasurer-Tax Collector to perform a proactive and comprehensive review of the impacted properties, in order to determine if property tax relief is available to help those affected.

There are two primary approaches we are evaluating. One is called a "decline-in-value" and the other is "misfortune and calamity".

Decline-in-value, also known as Proposition 8 after the 1979 ballot measure, provides that in cases where the market value of the property falls below the trended base year assessed value, the owner is entitled to a lower assessment and thus a reduced property tax bill.

Under California law, a decline-in-value is applied and the property is granted a temporary reduction in assessed value when it loses its assessed date as of the lien date.

My Office reviews the property to determine if it has indeed suffered a decline in value, at which point the assessed value will be lowered -- thereby lowering the property tax bill.

The re-assessed evaluation will depend on the specific facts and circumstances as well as underlying trended base-year value for the property.

Again, this reduction is temporary and the original base-year will be restored as the value of the property recovers over time. For decline-in-value, appraisers must examine comparable sales in the area to determine whether or not real estate values have declined. We have only raw data on those markets for January of this year and we will need to evaluate for several more months additional market data before drawing any evaluation conclusions, but please be assured that we are carefully analyzing the market in the areas. We anticipate having a better idea how the market has been impacted by mid-year. It is possible that since the long-term effects are unknown, decline-in-value relief may be indicated in subsequent years as well.

The other approach for property tax relief calls for reassessment in the wake of a misfortune and calamity.

To qualify if a property is physically damaged by a disaster, the loss must exceed \$10,000 of current market value.

Typically, property owners will submit a request by means of an application requesting that the Assessor review their property for declining value or misfortune and calamity.

However, for those affected by Aliso Canyon, I directed my staff to look at all the properties from both a decline-in-value and misfortune and calamity perspective.

The question is not whether or not a disaster has occurred, it has. The question is how to quantify that damage. In a typical misfortune and calamity, a property experiences physical, visible damage, such as in a flood, fire, or earthquake. There is little difference between what causes a family to vacate their home, whether from a collapsed roof or the need to vacate due to the leaking gas. However, existing law may exclude the latter and my initial reaction is that the law may need to be amended to allow greater clarity in evaluating misfortune and calamity cases such as this as well as those in other areas such as Exide, Hinkley, or in Flint.

With respect to Exide, while the Governor has not declared a State of Emergency for those impacted properties, I have nevertheless directed my staff to look at the decline-in-value for the 2016 lien date which may provide property tax relief for this year and the next year. One of the potential benefits of a misfortune and calamity evaluation we are examining is property tax deferral.

With a deferral request, the individual homeowner will have to submit one for calamity and one for property tax deferral. Those who currently pay their accounts through an impound account are ineligible for tax deferral.

I want to caution property owners that both of these reviews take time to complete. It takes time to get the required information.

I know property owners have been negatively impacted. Many lost the quiet enjoyment of their homes and, as such, property tax relief may be indicated and appropriate.

However, as an administrator charged with the application of the law, there are strict Constitutional and statutory limits placed on my Office as well as that of the Treasurer-Tax Collector.

It is my intention to interpret my discretion as broadly as possible under the law to provide assistance to affected residents, but the level of tax relief under my independent authority may be minimal.

Should there be desire to provide greater relief, special legislation may be required. To that end, I have already had conversations with legislators about some of the potential obstacles.

I am committed to continuing to work closely with local and state officials to ensure that the needs of affected businesses and homeowners are addressed.

I recognize families are experiencing hardships. I want to assure everyone affected by the gas leak that we are doing everything we can to help property owners, businesses, and residents during this difficult time.

We are happy to answer any questions for members of the public. My Office line is 818-833-6000 or we are online at assessor.lacounty.gov.